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SECTION D

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When Aviation Communication & Surveillance Systems was jettisoned from Honeywell in 2000, few gave it much chance of survival. Its competition, which included Honeywell and Rockwell Collins, was seen as too formidable for what essentially was a start-up business.

But six years later, ACSS, as the business prefers to be known, is thriving. The Phoenix-based producer of aircraft-safety systems has more than 250 employees at its Deer Valley base and expects to top \$100 million in revenue this year.

"The industry has to finally recognize that we are here to stay," ACSS President Kris Ganase said. "A lot of people didn't believe we'd be around at this point."

Industry veteran Ganase, 46, joined ACSS as chief operating officer in 2001 and was named president in 2004. He had been in charge of the Canadian operations for French aerospace giant Thales Co. and was looking forward to relocating to the company's base in Toulouse, France.

But he said L-3 Communications made a financial offer that was hard to refuse.

L-3 Communications Inc. is an aerospace holding company that grew from Lockheed Martin Corp.'s acquisition of Loral Corp.'s defense business in 1997. L-3 bought Honeywell's TCAS system, which keeps aircraft from colliding in midair. Thales then purchased 30 percent of the new company, called Aviation Communication & Surveillance Systems.

The U.S. Department of Justice ordered Honeywell to sell its TCAS business as a condition of approval for its \$14 billion merger with Allied Signal Inc. in 1999.

Both companies made traffic-alert and collision-avoidance systems and one had to be divested to prevent market dominance.

From the outset, ACSS went up against companies that were much larger and not keen on a new competitor. ACSS traded patent-infringements lawsuits with Honeywell for years until both parties agreed to settle in 2004.

"It was a very rocky start," Ganase said.

The operation was handicapped because L-3 and Thales bought a product, not a company. While the deal included 60 former Honeywell employees, the company had to build a corporate infrastructure around the product.



CHRISTINE KEITH/THE ARIZONA REPUBLIC
Steve Hacker (left) and Marvin Stoltman, engineers among the 250 employees at ACSS, work on systems to improve aircraft safety.

ACSS' success is not surprising to Peter Arment, an analyst who follows L-3 for JSA Research in Newport, R.I.

"That's their mantra," he said. "They buy products that have promise, and they incent management to develop their potential."

To grow ACSS, Ganase quickly rocked the boat with Honeywell and introduced TAWS, or terrain awareness and warning system, that keeps pilots from crashing planes into mountains and other obstacles. The systems have been mandated by the Federal Aviation Administration for inclusion on all commercial aircraft with more than 30 seats.

Prior to TAWS, Honeywell had the only such product on the market. The company quickly claimed that ACSS violated its patents. Later, Thales, a maker of integrated systems for cockpits, charged Honeywell with violating its patents for cockpit avionics.

ACSS competes for customers for its TCAS 2000 and 3000 collision-avoidance systems with Honeywell International Inc. and Rockwell

Collins Inc. While Honeywell and Rockwell are considerably larger, ACSS has been able to gain about a third of the market.

The strength of its competitors has forced ACSS to differentiate itself with customer service and quality.

"If we weren't able to show customers that our systems are safer and more reliable, we wouldn't have sold any of them," Ganase said.

He said Honeywell and Rockwell are more concerned about integrating all of their cockpit products than in offering individual products. By focusing on individual products, Ganase believes ACSS can compete against the larger companies.

"The large companies are focused on making all their equipment work together," Ganase said. "We're focused on making the product and making our customers happy."

FAA has mandated that the TAWS and TCAS systems be used on most commercial aircraft. The deadline to install the systems has expired, though, and ACSS is looking to develop products to fill the void.

One such product packages a

Aviation

Communication & Surveillance Systems

What: Manufacturer of aircraft-safety systems.

Headquarters: Phoenix.

President: Kris Ganase

Founded: 2000

Employees: More than 250.

Annual Sales: \$100 million

(2006 estimate).

Ownership: L-3 Communications Holdings Corp. (70 percent), Thales Co. (30 percent).

Competitors: Honeywell International Inc., Rockwell Collins Inc.

Kris Ganase

Position: President, Aviation Communication & Surveillance Systems

Born: Trinidad & Tobago.

Age: 46

In Arizona: Since 2001.

Education: Bachelor of science, air transport engineering, London City University.

Career: 1994-96, vice president of customer services, Thales Co.; 1996-2000, vice president of operations, Thales Avionics Canada; 2001-04, Chief operating officer of ACSS; 2004-present, president of ACSS.

Personal: Married, three children. Recreation: Camping, automobile racing, soccer, downhill skiing.

into the path of the plane taking off.

A similar view would be available to aircraft in the sky.

The technology also can help planes fly more efficiently. When planes line up to land at a busy airport, it is critical that they maintain a specific distance from the planes in front and behind. If they do not, the air-traffic controller can send them to the end of the line. That can cause landing delays and the burning of additional fuel.

The SafeRoute system helps aircraft merge at the right moment and maintain the proper distance from other planes.

The system has been ordered by United Parcel Service for its fleet of 300 aircraft. Tests at UPS' hub in Louisville, Ky., showed more on-time landings and significant reductions in noise, nitrous-oxide emissions and fuel use.

A version developed for the military will let planes stay in formation during missions and perform in-flight fueling more efficiently.

After a rocky start, exacerbated by the Sept. 11, 2001, terrorist attacks, ACSS has turned the corner, found its niche and is poised for growth, Ganase said.

While his goal is to sustain healthy growth for ACSS, he doesn't envision it becoming the next Honeywell.

"I like small companies," he said. "They are more dynamic, and you can get things done."

He noted that most of the 80 companies owned by L-3 are relatively small compared with the industry giants with whom they compete.

"That's the way they operate," he said.

Ganase was born in Trinidad and Tobago and educated in England. After several years in Toronto, he welcomed the warm Arizona climate.

"As far as I am concerned, it's not hot enough," he said.

On weekends he loads up his Toyota Sequoia with his wife, three children, camping gear and VCR player and heads out to explore. Often, the destination is Puerto Peñasco, Mexico, where he rents a house and recharges for the week ahead.

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TCAS system and a TAWS system in a single component. The company has sold 1,500 of the T2CAS systems. Last month, China's Sichuan Airlines ordered the T2CAS system for its eight new Airbus planes.

"The strategy is to bring new products in to hedge against the fall-off due to the expiration of the mandates," Ganase said.

A new product called SafeRoute is due out soon to help pilots land more efficiently and navigate on the ground with greater safety. ACSS believes SafeRoute is the next breakthrough in airplane safety and one that will drive profits for the company in years to come.

The system is based on the company's ADS-B transponders that broadcast an aircraft's speed, location and destination. The technology is used for identifying other aircraft aloft and has been modified to include aircraft on the ground.

On a cockpit screen, a runway on which an aircraft has been cleared to take off would appear yellow to other aircraft. It would turn red and warnings would sound if another plane turned